

Message Text

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PAGE 01 OTTAWA 03856 01 OF 02 022155Z
ACTION EB-08

INFO OCT-01 EUR-12 IO-14 ISO-00 AGRE-00 CEA-01 CIAE-00
COME-00 DODE-00 FRB-01 H-02 INR-10 INT-05 L-03
LAB-04 NSAE-00 PA-02 CTME-00 AID-05 SS-15 STR-07
ITC-01 TRSE-00 SP-02 SOE-02 OMB-01 DOE-15 NSCE-00
SSO-00 INRE-00 SIL-01 XMB-04 OPIC-06 /122 W
-----061964 022204Z /45

O 022140Z AUG 78
FM AMEMBASSY OTTAWA
TO USICA WASHDC IMMEDIATE
SECSTATE WASHDC 8270
INFO AMCONSUL TORONTO
USMISSION GENEVA
AMEMBASSY PARIS

UNCLAS SECTION 01 OF 02 OTTAWA 03856

MTN

USOECD

PASS STATE FOR EB (KATZ); EUR/CAN
PASS TREASURY FOR BERGSTEN, DOC

USICA

EO 11652 NA
TAGS NA
SUBJECT: MEDIA REACTION - AUTO PACT
REF: TORONTO 1486 (NOTAL)

1. PRINT MEDIA GAVE FULL NEWS COVERAGE TO ASSISTANT
TREASURY SECRETARY BERGSTEN'S REMARKS BEFORE HOUSE TRADE
SUB-COMMITTEE ON FORTH-COMING U.S.-CANADIAN CONSULTATIONS
ON AUTO INDUSTRY INVESTMENT INCENTIVES PROPOSED BY
CANADIAN GOVERNMENT. WHILE ELECTRONIC MEDIA NOTED "URGENT"
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PAGE 02 OTTAWA 03856 01 OF 02 022155Z

NATURE OF CONSULTATIONS, COVERAGE WAS NOT DETAILED.

2. SECOND LEAD STORY ON FRONT PAGE AUGUST 2 TORONTO GLOBE
AND MAIL "U.S. OPPOSES CANADIAN AID TO CAR MAKERS" BY
WASHINGTON BASED CORRESPONDENT LAWRENCE MARTIN POINTS OUT
THAT ASSISTANT SECRETARY BERGSTEN STATED CLEARLY TO
CONGRESSIONAL COMMITTEE THAT U.S. OBJECTS STRONGLY TO

PROPOSED INVESTMENT INCENTIVES MAINTAINING THAT "WE CANNOT SIT BY WHILE THESE INTERVENTIONIST PRACTICES ARE ESCALATED TO THE FEDERAL LEVEL." ACCORDING TO MARTIN, CANADIAN OFFICIALS WERE NOT SURPRISED BY STRONG STATEMENT BUT HAD NOT EXPECTED PUBLIC ANNOUNCEMENT SINCE "USUALLY SUCH MATTERS ARE IRONED OUT BEHIND CLOSED DOORS." ACCORDING TO GLOBE AND MAIL, BERGSTEN ALSO MAINTAINED THAT U.S. WILL OPPOSE CANADA'S PLANNED DUTY REDUCTIONS ON IMPORTS OF VOLKSWAGONS MADE IN THE U.S. AS WELL AS OTHER TRADE REMISSION AGREEMENT PROPOSALS CANADIANS MAY HAVE IN MIND. --- COMMERCE DEPARTMENT OFFICIALS QUOTED BY MARTIN TO EFFECT FEDERAL INCENTIVE OFFER "...VIOLATES THE COUNTERVAILING DUTIES ACT AND LEAVES THE AMERICANS IN A POSITION TO SLAP COUNTERVAILING DUTIES ON CANADIAN AUTO PARTS AS A RETALIATORY STROKE." --- CANADIAN CONCERN OVER LAST YEAR'S 1 BILLION DOLLAR TRADE DEFICIT WHICH THEY MAINTAINED RESULTED FROM AUTO PACT AGREEMENT MET WITH COMMERCE DEPARTMENT STATEMENT THAT "... THE FIGURE IS MISLEADING BECAUSE MANY OF THE AUTO PARTS CANADA IMPORTS FROM THE U.S. ARE EXPORTED BACK TO THE AMERICANS AFTER BEING ASSEMBLED IN CANADA" ACCORDING TO GLOBE AND MAIL. COMMERCE OFFICIALS ALSO QUOTED AS SAYING THAT "THE PACT HAS LED TO FAR GREATER INCREASES IN AUTO INDUSTRY RELATED EMPLOYMENT IN CANADA THAN IN THE U.S...." BUT ADDED "... THAT ON THE WHOLE THEY WERE REASONABLY SATISFIED WITH THE AGREEMENT." UNCLASSIFIED

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PAGE 03 OTTAWA 03856 01 OF 02 022155Z

--- GLOBE AND MAIL REPORTER SAYS THAT AFTER SUB-COMMITTEE HEARING BERGSTEN "HUDDLED WITH TREASURY AND STATE DEPARTMENT OFFICIALS TO DISCUSS WHETHER HE SHOULD RESPOND TO FLOOD OF CANADIAN CALLS BUT DECIDED AGAINST IT."

3. TOP STORY IN BUSINESS SECTION OF AUGUST 2 GAZETTE "U.S. OPPOSES OTTAWA INCENTIVES FOR AUTO PLANTS" BY GAZETTE NEWS SERVICES IN WASHINGTON GIVES FACTUAL BACKGROUND LEADING TO FRIDAY'S "URGENT CONSULTATIONS." STORY QUOTES BERGSTEN'S STATEMENT BEFORE SUBCOMMITTEE THAT "...CANADIAN PROVINCES AND U.S. STATES HAVE BEEN OFFERING INCENTIVES TO U.S. MANUFACTURERS FOR SOME TIME (BUT) CONDITIONS WILL BECOME MORE SERIOUS IF THE CANADIAN FEDERAL GOVERNMENT FORGES INTO THE SUBSIDY AND INCENTIVE AREA." GAZETTE POINTS OUT THAT CANADIAN FEDERAL GOVERNMENT INTERPRETS AUTO PACT TERMS TO MEAN THAT CANADA SHOULD GET LARGER SHARE OF NEW INVESTMENT AND IS OFFERING INVESTMENT INCENTIVES TO CREATE JOBS IN HIGH UNEMPLOYMENT AREAS. ACCORDING TO GAZETTE BERGSTEN STATED HOPE THAT CONSULTATIONS BETWEEN TWO GOVERNMENTS MIGHT "PREVENT THE OPENING OF ANOTHER FRONT TO INTERNATIONAL SUBSIDY COMPETITION."

4. AUGUST 2 OTTAWA JOURNAL STORY "U.S. TO PROTEST CANADA'S
BID FOR AUTO PLANTS" BY WASHINGTON BUREAU CORRESPONDENT
ALSO DETAILED BACKGROUND LEADING TO FRIDAY'S "URGENT"
TALKS BUT GAVE MORE EMPHASIS TO CANADIAN RESPONSE TO
BERGSTEN'S STATEMENTS. ACCORDING TO JOURNAL, "CANADIAN
OFFICIALS HERE EXPRESSED SOME SURPRISE AT THE TONE OF
BERGSTEN'S COMMENTS. (AND NOTED)... THAT CANADA IS SIMPLY
TRYING TO ASSURE ITSELF A FAIR CRACK AT THE ENORMOUS IN-
VESTMENT THAT U.S. AUTO MAKERS WILL BE MAKING OVER THE
NEXT DECADE..." STORY CONCLUDED WITH CANADIAN OFFICIAL'S
STATEMENT THAT "NOBODY LIKES TO GIVE A RICH MULTINATIONAL
COMPANY 70 MILLION DOLLARS INPUT IN ITS POCKET, BUT THIS
IS THE PRICE YOU HAVE TO PAY TO PRESERVE JOBS."
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PAGE 04 OTTAWA 03856 01 OF 02 022155Z

5. AUGUST 2 OTTAWA CITIZEN CARRIED CANADIAN PRESS (CP)
STORY "U.S. OBJECTS TO GOVERNMENT AID FOR CAR PLANT" ON
PAGE 8 DETAILING BERGSTEN STATEMENTS BUT EMPHASIZING
STATE OF NEGOTIATIONS BETWEEN CANADIAN MINISTRY OF

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UNCLAS SECTION 02 OF 02 OTTAWA 03856

INDUSTRY, TRADE AND COMMERCE, PROVINCIAL GOVERNMENTS, FORD
AND GENERAL MOTORS. ACCORDING TO CP STORY NEGOTIATIONS
WITH FORD REPRESENTATIVES TO LOCATE 500 MILLION DOLLAR
ENGINE PLANT IN WINDSOR ARE "IN THE FINAL STAGES" WITH
FEDERAL AND PROVINCIAL GOVERNMENTS AGREEING ON A JOINT
CASH INCENTIVE "SOMEWHAT LESS THAN 75 MILLION DOLLARS."
ANOTHER FEDERAL PROVINCIAL INCENTIVE OF 80 MILLION DOLLARS
IS BEING OFFERED TO GENERAL MOTORS TO BUILD A FOUR
MILLION DOLLAR PLANT NEAR MONTREAL, ACCORDING TO CP.
STORY CONCLUDES WITH BERGSTEN STATEMENT THAT HE IS
"...CONCERNED U.S. CITIZENS WILL BE DEPRIVED OF JOBS
BY THE KIND OF ARRANGEMENTS THE CANADIAN GOVERNMENT IS
OFFERING AUTO MAKERS."
MATTOS, ACTING

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Message Attributes

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